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# The UN and Economic Power

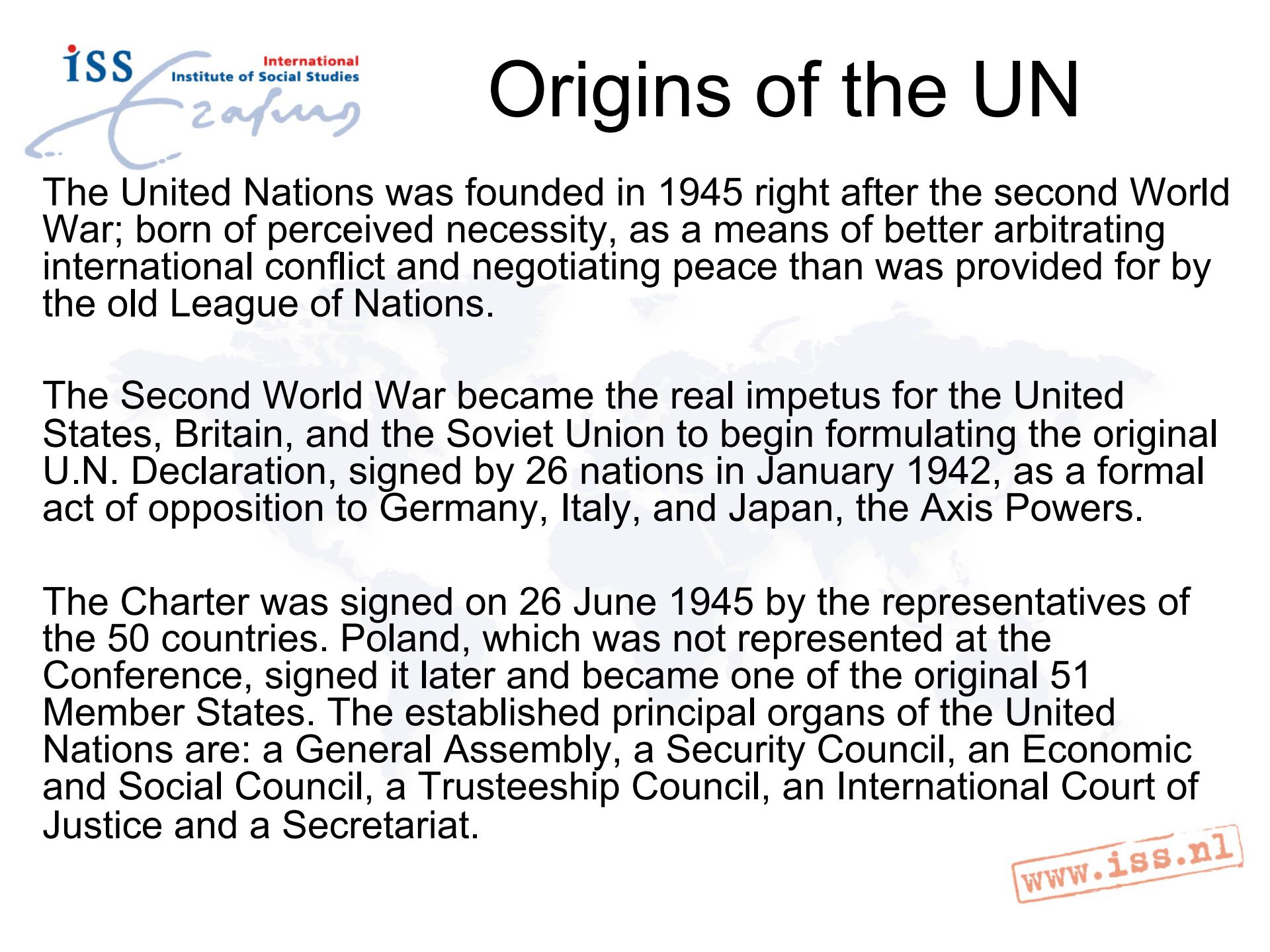


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# Origins of the UN

The United Nations was founded in 1945 right after the second World War; born of perceived necessity, as a means of better arbitrating international conflict and negotiating peace than was provided for by the old League of Nations.



The Second World War became the real impetus for the United States, Britain, and the Soviet Union to begin formulating the original U.N. Declaration, signed by 26 nations in January 1942, as a formal act of opposition to Germany, Italy, and Japan, the Axis Powers.

The Charter was signed on 26 June 1945 by the representatives of the 50 countries. Poland, which was not represented at the Conference, signed it later and became one of the original 51 Member States. The established principal organs of the United Nations are: a General Assembly, a Security Council, an Economic and Social Council, a Trusteeship Council, an International Court of Justice and a Secretariat.

# 4 Pillars of the UN

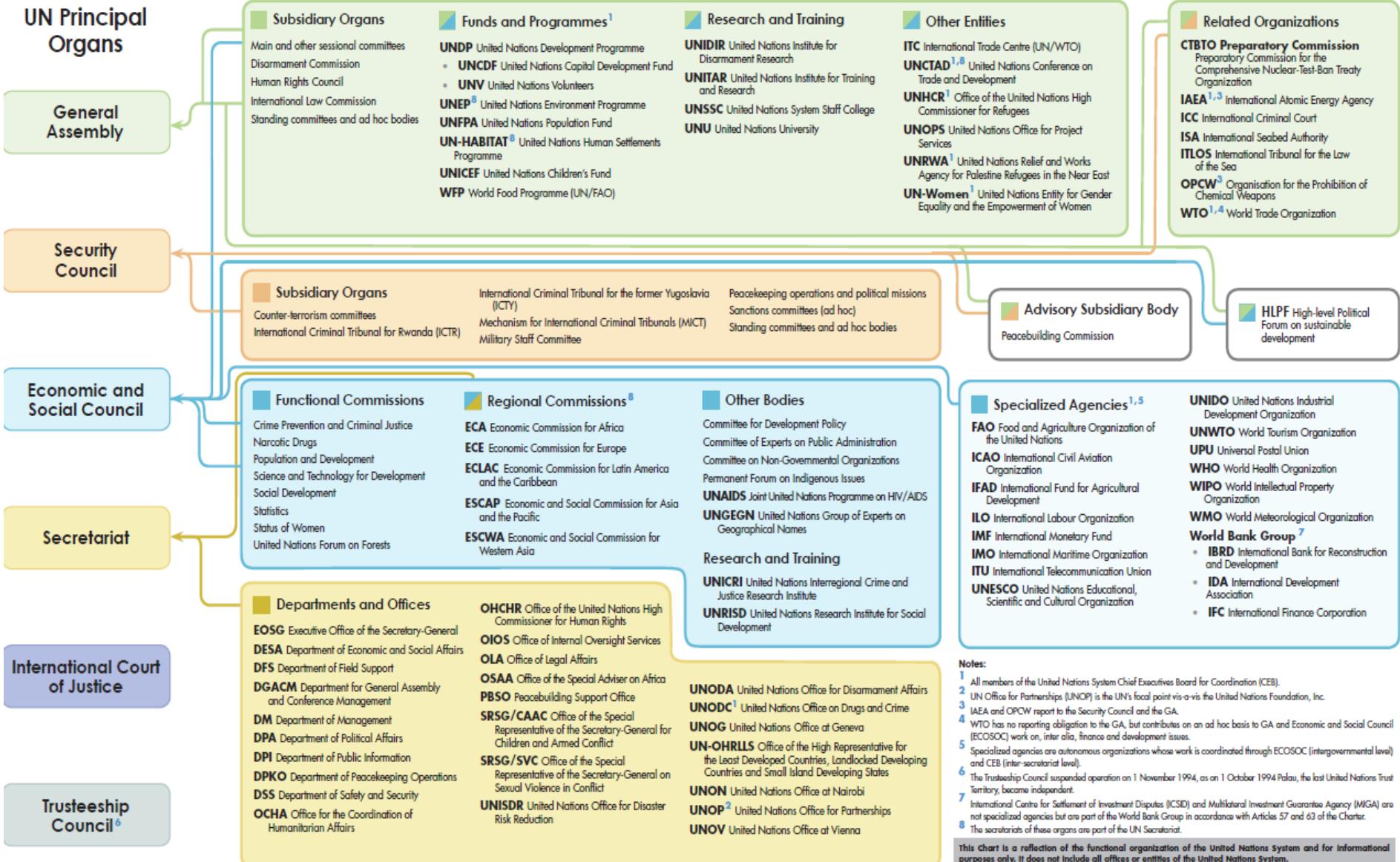
- Peace—the idea that sovereign states could create an international organization and procedures that would replace military aggression and war by negotiation and collective security.
- Development—the idea that all countries, long independent or newly so, could purposefully pursue policies of economic and social advance, which over time would improve the welfare and living standards of their people.
- Human rights—the idea that every individual in every country throughout the world shared an equal claim not only to such individual civil and political rights as life, liberty, and the pursuit of happiness but also to a core of economic and social freedoms.
- Independence—the idea that people in all countries had rights to be politically independent and sovereign and make whatever national and international agreements that their citizens might choose.



# The United Nations System



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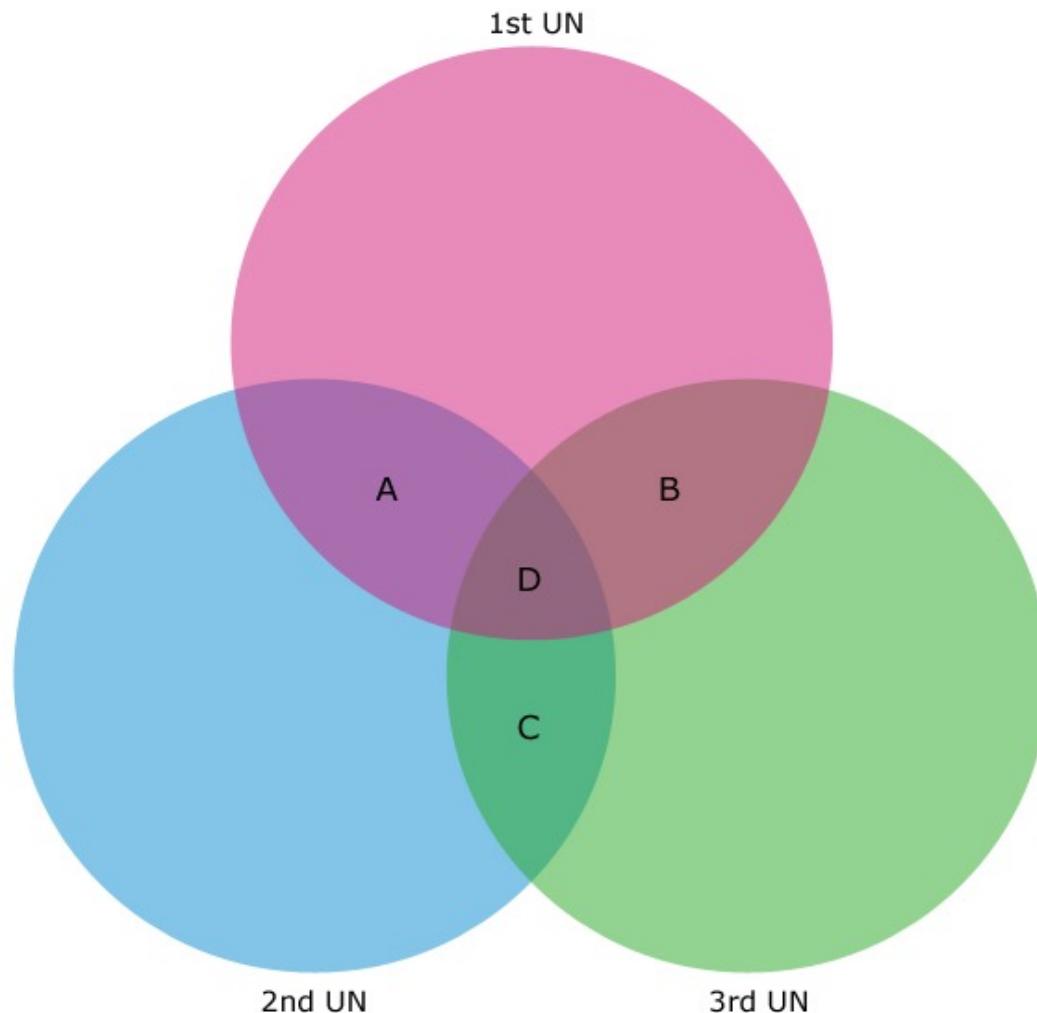
# The 3 UN's

The first UN is that of governments, and the fora and bodies in which governments interact.

The second UN is that of the secretariat and the civil servants in the UN, who are at the one hand working for and are instructed by government delegations, but who are also often tasked to prepare new ideas and concepts relevant for the UN and its different bodies to deal with existing, new and changing challenges

The third UN consists of researches, NGO's etc. which are involved with the UN, as additional support, consultants etc. or which believe in the strength of the UN as an appropriate international treaty based body to ventilate ideas and opinions in order to influence global and intergovernmental decision making.

# The 3 UN's



# The 3 UN's overlap

The three United Nations interact and overlap in multiple ways.

These interactions are depicted in the overlapping area among the three circles,

- state-secretariat interactions in “A”
- state-civil society interactions in “B”
- secretariat-civil society interactions in “C”
- The most important networked space is “D” because within it individuals and private organizations of the third UN interact with the first and second UNs to influence or advance UN thinking, policies, priorities, or actions.

# Chequered History UN and Economic/Financial Development

- Loans to developing countries: SUNFED versus World Bank IDA
- Structural Adjustment Programmes: UN (initially UNICEF and ILO) versus World Bank IMF
- Millennium Development Goals: Only social, no Institutional change
- 2008 Financial crisis: Role of the UN ( Stiglitz Commission) denied
- 2015 Financing for Development and SDGs: No basic change in International Financial System
- 2017 Trumpism.....

# SUNFED-IDA-UNDP

It was recognized early after the establishment of the UN that economic development required not only technical assistance (or “human investment” as it came to be called), but also major additions to capital, that is physical investment.

In the late 1940s and early 1950s, the UN launched an ambitious plan to provide the latter, initially under the name of the Special UN Fund for Economic Development. This fund was supposed to provide soft loans, even grants, to poor countries, with emphasis on infrastructure. The World Bank dismissed the case and argued that such funding would be anti-market, dependent on subsidies from the industrial countries, and altogether against the interests of developing countries.

There were endless discussions during the 1950s. A majority of countries favoured setting up SUNFED. However, the major Western powers preferred a different arrangement for capital aid on concessionary terms outside the United Nations.

In the end, a soft window was established in 1960 within the World Bank—where donor countries were at the helm—the International Development Association (IDA). The UN was left with a small kitty for pre-investment activities, and in 1965 this Special Fund merged with the Expanded Program of Technical Assistance to become the UN Development Programme (UNDP).

# Structural adjustment

The Mexican crisis and the growing deficit of the United States in 1982 led to a sizeable reduction in capital flows to developing countries making it difficult to finance their current account deficits through additional borrowing, especially since fuel-exporting countries have ceased to produce current account surpluses.

As a consequence most developing countries were forced, as part of an agreed IMF and World Bank structural adjustment package to reduce their deficits quickly and drastically. Structural adjustment policies had three declared objectives:

- to reduce soaring inflation,
- to correct disparities in foreign balances
- and in national budgets to restore economic growth.

To achieve these objectives, government budgets were often severely and indiscriminately slashed, resulting in the shrinking of public sector employment, including in the areas of education and health, in the name of restoring balance and reducing the size of governments.

Although inflation rates mostly decreased quite quickly, balance in foreign exchange or government budgets was often not achieved and seldom was growth restored. Policies of structural adjustment continued into the 1990s, with disastrous effects on economic growth as well as on human resources. Over the two decades from 1980 to 2000, per capita income actually fell on average in Sub-Saharan Africa and rose only by a miserable 9 percent in Latin America—compared to positive growth rates, respectively, of 36 percent and 80 percent over 1960–80.

# Structural Adjustment

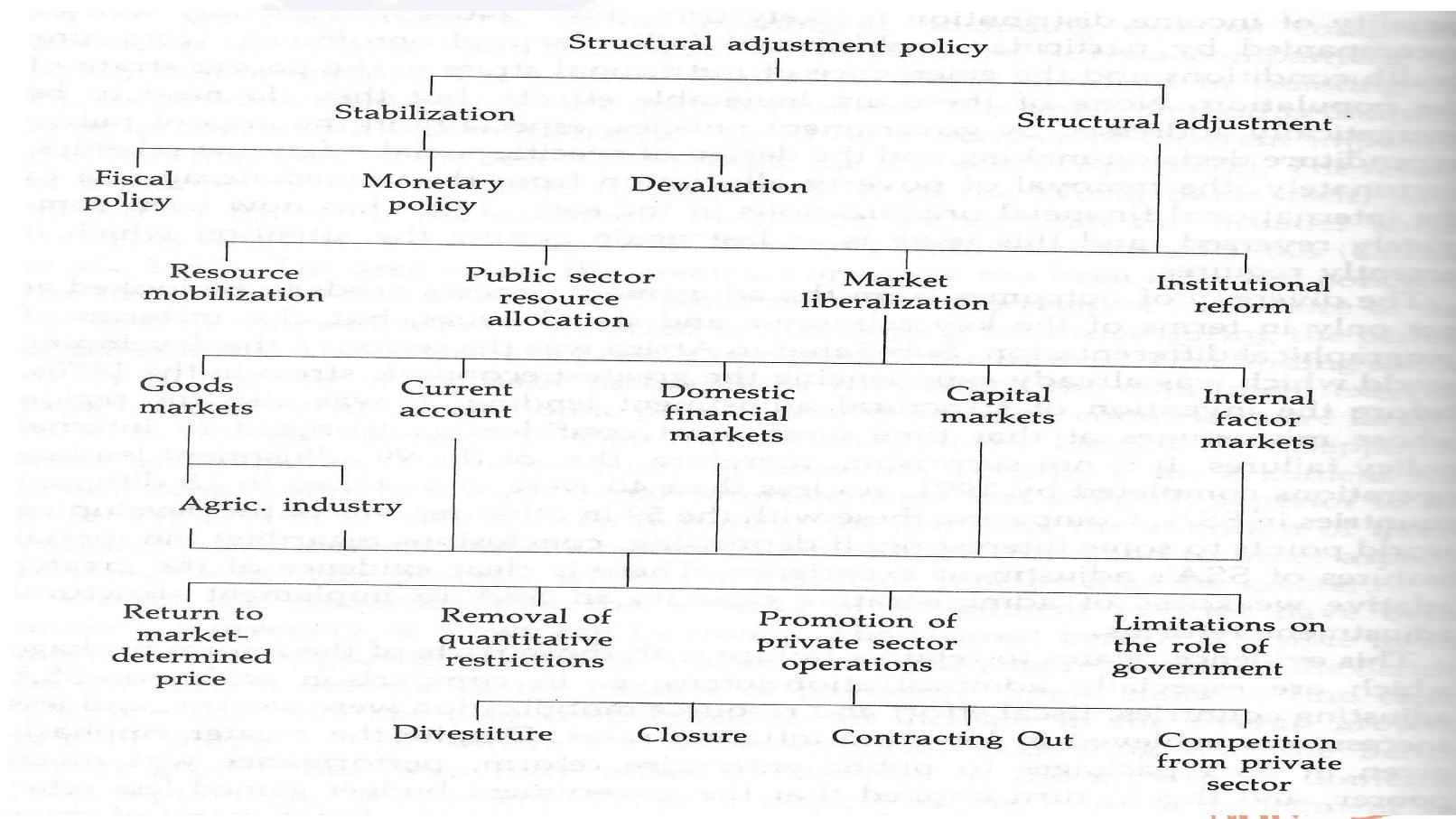
The social costs of structural adjustment were high, however. Real wages in modern sector undertakings have dropped considerably and unemployment has risen.

This happened for two sets of reasons. First, because most adjustment programmes lacked any form of buffer mechanism to protect the poor.

Policies were usually defined with a view to their effect on macro-economic indicators (level of government expenditure, credit expansion, etc.) with no explicit concern for income distribution and poverty effects.

In many cases special schemes to assist the poor were for budgetary reasons not even considered. Second, because the stabilisation policies were of a deflationary nature (at least in the short run), so that most poor people suffered simply as a result of the contraction of economic activity.

# Structural Adjustment Policies



# Alternatives to Structural Adjustment

In the 1980s alternative approaches to adjustment became a focus of UN analysis and debate. UN institutions recognized the need for adjustment but argued that the criteria used by the World Bank were too narrow and leading to ineffective programs.

Evaluations by the World Bank and the IMF consistently showed that only one or two goals were being achieved—in almost all cases, those of reducing inflation and sometimes, but by no means always, closing budgetary gaps. In only a few cases was economic growth accelerating.

The neglect of health, education, nutrition, and other human needs in the framing of adjustment had serious human consequences. UNICEF for example argued, if child malnutrition rose as a consequence of adjustment, there generally was no second chance. This is not only inhuman but also contrary to the economic principles and purposes of sound investment and sensible adjustment.

Although greeted initially with skepticism, UN alternatives to adjustment have over the years been increasingly accepted, at least rhetorically

# FOUR GENERATIONS OF ADJUSTMENT POLICIES LEADING TO POVERTY REDUCTION STRATEGIES AND MDGs

- Stabilization  
(Short term) 1982-1985
- Stabilization and growth  
(Short-medium term) 1985-1989
- Stabilization, growth  
and social concerns  
(Medium-term) 1989-1995
- Stabilization, growth,  
social concerns and  
people's involvement  
(Medium-term) 1995 - 2000
- Poverty Reduction  
Strategies,MDGs  
(medium to longterm) 2000 - 2015

# Millennium Development Goals ( MDGs)



The Millennium development Goals were established in 2000, following the Millennium declaration of the Millennium Summit, where all heads of states participated, organised by the UN.

Although initially critical, the USA, the World Bank and the IMF signed on to them.

# The 8 Agreed MDGs

1. eradicate extreme poverty and hunger;
2. achieve universal primary education;
3. promote gender equality and empower women;
4. reduce child mortality;
5. improve maternal health;
6. combat HIV/AIDS, malaria and other diseases;
7. ensure environmental sustainability;
8. develop a global partnership for development.

# Nature of MDGs

*The MDGs clearly reflect an overriding concern for social goals: the first six goals have an explicit social character and were also the most elaborated goals.*

Goals 7 and 8 were outcome of afterthought or political pressure.

Social goals of the MDGs were not embedded in a coherent (social) development agenda.

Social development is a transformative progress towards social justice (understood as a fairer distribution of growing resources).

# What happened ?

- MDGs have reduced the message of the 2000 Millennium Declaration
- MDGs have unintentionally led to a constrained development agenda ( MDG paradox)
- Donors have often not kept their promises
- System remains asymmetric, driven by donors

# MDG paradox

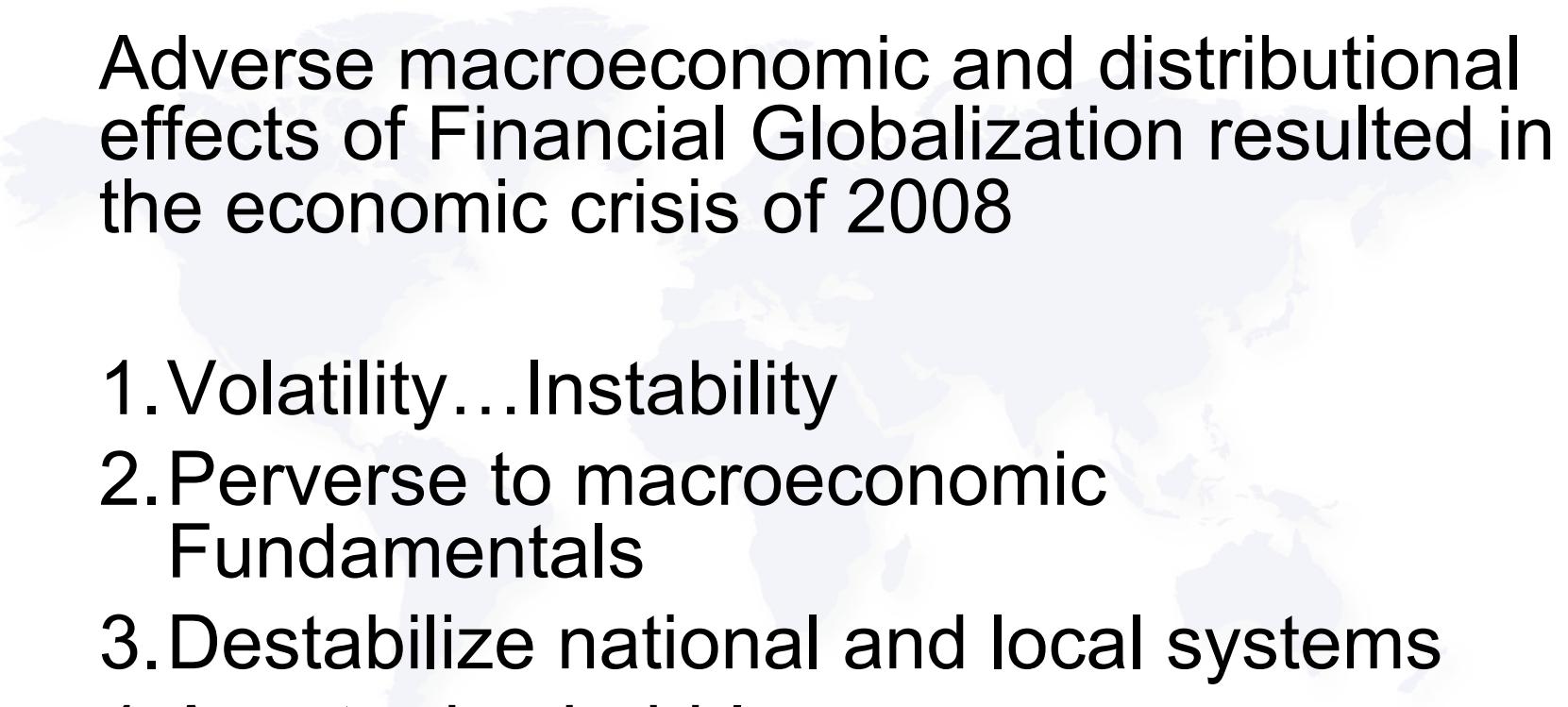
The MDGs have not been formulated as a “one size fits all approach”, like the Structural Adjustment Programs of the World Bank and IMF.

But there is a MDG paradox

- Although MDGs were not conceived as one size fits all, they became nevertheless so as a consequence of a too strict neo classical interpretation of economic policies in many donor countries, when World Bank Poverty Reduction Programs took over from Structural Adjustment Programs
- Furthermore those issues which were not included in the MDGs ( like human rights, inequality) became excluded as donors used MDGs as absolute framework for development .

# UN reaction after 2008 Financial crisis

# Financial Globalization



Adverse macroeconomic and distributional effects of Financial Globalization resulted in the economic crisis of 2008

1. Volatility...Instability
2. Perverse to macroeconomic Fundamentals
3. Destabilize national and local systems
4. Asset price bubbles

## The Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System

The Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System (hereafter the Stiglitz Commission) was composed of economists, policy makers, and practitioners drawn from Japan, Western Europe, Africa, Latin America, and South and East Asia.

It submitted its recommendations to the UN in March 2009. They were discussed at a special session of the UN in June and by the General Assembly in September 2009

# Immediate Measures to Improve the Functioning of the Global Economic and Financial System in the Short Run

- All developed countries should take strong, coordinated, and effective actions to stimulate their economies
- Developing countries need additional funding
- Mobilizing additional development funds by the creation of a new credit facility
- Opening advanced country markets to least developed countries' exports
- Beginning work on regulatory reform, while learning from successful policies elsewhere
- Improving coordination of global economic policies

# Systemic Measures to Reform the Global Economic and Financial Architecture over the Longer Run

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- A new global reserve system
- Reforms of the governance of the international financial institutions
- The Global Economic Coordination Council—a democratic alternative to the G-20
- Reforming central bank policies to promote development
- Financial market policies
- Global Financial Regulatory Authority and a Global Competition Authority
- Mechanisms for handling sovereign debt restructuring and cross-border investment disputes
- Completion of a truly development-oriented trade round

# Financial Institutions

Institution	Object/role	Membership	Authority	Voting
<b>IMF</b>	International financial stability	Virtually all countries	Partly supranational	Based on financial contributions
<b>World Bank</b>	Development	Virtually all countries	Partly supranational	Based on % share of equity capital
<b>FSB</b>	International financial stability	G20 +	Intergovernmental	Consensus
<b>Paris Club</b>	Debt restructuring	Creditor countries	Binding agreements	Consensus
<b>FATF</b>	Prevention of money laundering	OECD, BRICS and a few others	Advisory	Consensus
<b>Basel Committee</b>	Bank supervision and financial stability	27 rich countries	Guidelines	Consensus
<b>UN/ ECOSOC</b>	Economic development and stability	Universal	Political agreement	One vote per country

# Luke warm response to recommendations Stiglitz Commission

- Discussions take place in the G-20—a step in the right direction—but not far enough. The stock market has risen since March 2009, and the next bubble is on the horizon. But the real economies of many countries—both developed and developing alike—are very much in shambles.
- The unemployment rate in many countries remains high, and financial deficits are exorbitant. The accumulated debt of certain states is preoccupying, to put it mildly, and so is the debt of individuals and companies. In many countries, the economic and financial situation has become unsustainable.

# Sustainable Development Goals ( SDGs)

The Sustainable Development Goals were adopted after intensive negotiations and consultations by the UN General Assembly in September 2015

# 17 SDGs

1. End poverty everywhere
2. End hunger, improve nutrition and promote sustainable agriculture
3. Attain healthy lives for all
4. Provide quality education and life-long learning opportunities for all
5. Attain gender equality, empower women and girls everywhere
6. Ensure availability and sustainable use of water and sanitation for all
7. Ensure sustainable energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Promote sustainable infrastructure and industrialization and foster innovation

10. Reduce inequality within and between countries
11. Make cities and human settlements inclusive, safe and sustainable
12. Promote sustainable consumption and production patterns
13. Tackle climate change and its impacts
14. Conserve and promote sustainable use of oceans, seas and marine resources
15. Protect and promote sustainable use of terrestrial ecosystems, halt desertification, land degradation and biodiversity loss
16. Achieve peaceful and inclusive societies, access to justice for all, and effective and capable institutions
17. Strengthen the means of implementation and the global partnership for sustainable development

# Balanced Concerns

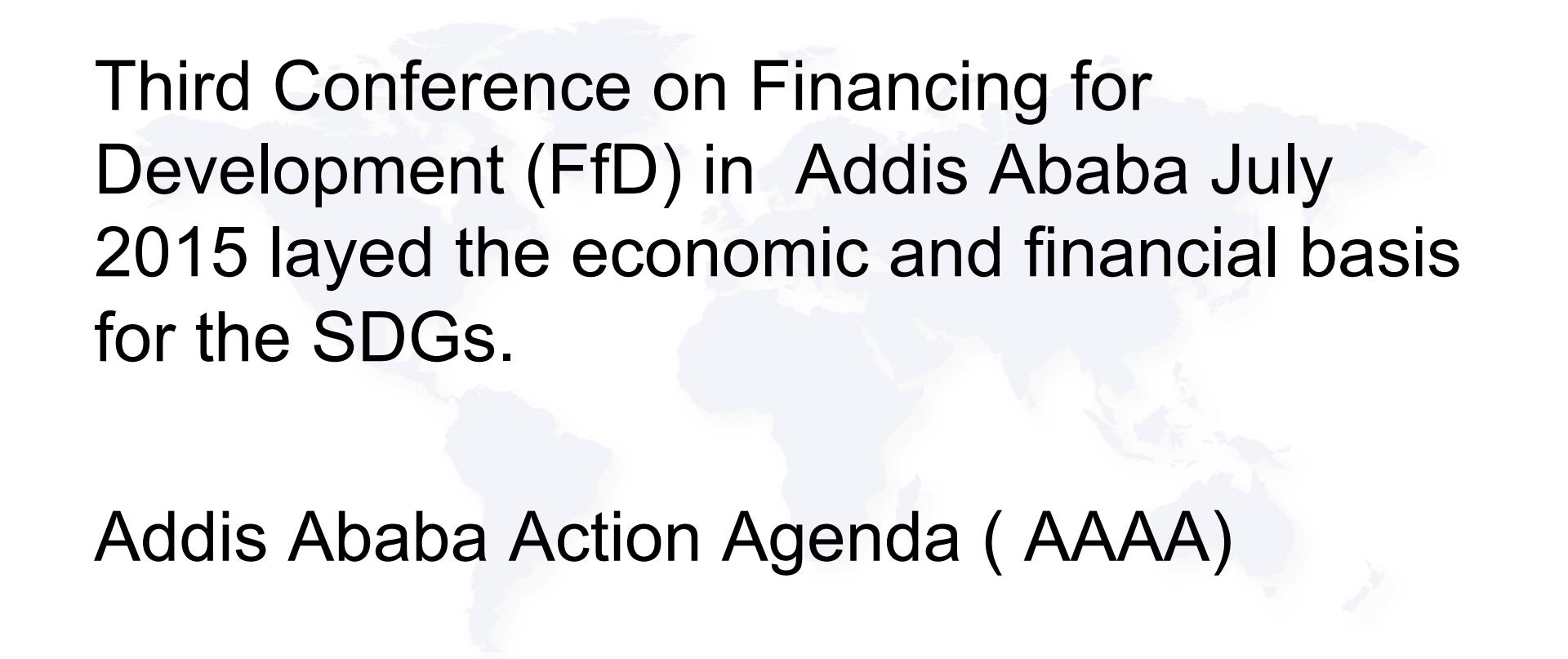
5 Social Goals (1,2,3,4 and 6)

5 Environmental Goals (7,12,13,14 and 15)

3 Economic Goals (8,9 and 10)

4 General Goals (5,11,16 and 17)

# Economic Foundation of SDGs



Third Conference on Financing for Development (FfD) in Addis Ababa July 2015 layed the economic and financial basis for the SDGs.

Addis Ababa Action Agenda ( AAAA)

# Financing for Development not only about price tags for SDGs

Fundamental changes needed in International financial system.

1. Less volatile, less need for costly foreign reserves which then can be used for investment.
2. No illicit tax and other outflows.
3. Sovereign Debt Reduction Mechanism.

The AAAA, under pressure from advanced countries was rather timid on this

# Needed Improved Governance of a better International Financial System

## Governance and Coherence

- How decisions are made makes a difference
- Important that the voice of developing countries and emerging markets are heard more clearly
- Long overdue reforms in governance of IFI's
- Movement from G-20 to Global Economic Coordinating Council as recommended by 2010 UN Commission of Experts : More representative, more legitimacy
- Need to create "Think Tank" parallel to OECD, and working with OECD to address issues of *global reform*
- Need to make more use of UN institutions (like Tax Committee) for designing global agreements: Again, more representative, more legitimacy

2017

Multilateralism is under attack. (USA, swing to the right in Europe, autocratic leaders getting stronger elsewhere)

Yet only answer to current Social , Environmental and Economic problems is a strengthening and improvement of current system ( how weak it is..)

Role for civil society to uphold multilateralism !